This chart shows what has happened with both outlays—and that is the light blue line—and revenues—the darker black line—outlays and revenues of the Federal Government for a 40-year period starting in 1970 and ending, essentially, right now. One useful thing about the chart is it has an average. It shows that, on average, outlays were about 21 percent, and that is the dotted blue line across here. It also shows, on average, revenues—what the government collects in taxes—was about 18 percent, and that is the dotted black line down here. You can see there is—I don't know if you call it a structure gap but a persistent gap between what we raise for the operation of the Federal Government and what we spend. Every year we spend more than we raise.

There is an exception to that. There is a period here where these two lines cross, and that is the period at the end of the Clinton administration where we got to a balanced budget and a surplus. That was achieved for a variety of reasons, and let me talk a little about those reasons.

There was a 4-year period there, 1998 through 2001, where the Federal Government essentially did not spend more than it took in. In 2001 again, as you can see from this chart, beginning in 2001 with this precipitous dropoff in revenue, the deficits began to grow. We now have a very large deficit. What is particularly disturbing is when you look ahead and project where we are going to be over the next 5, 10, 20 years, we are projected to have a very large deficit indefinitely unless we change some things.

Changing either the outlay numbers, what we spend, or the revenue numbers, the level of taxes that are collected, is not easy. It is not easy in this Congress. It has never been easy. So how did we produce a surplus during the 4 years we had a surplus? I think there were three main factors that account for that.

In 1990, the Congress and President George H.W. Bush were able to agree to legislation that controlled spending and increased revenues as well. That was the Omnibus Budget Reconciliation Act of 1990. It, for the first time, enacted pay-go rules. It also increased taxes on the wealthiest Americans by raising the top income tax rate from 28 percent to 31 percent.

At the time, President George H.W. Bush said—this is a quote from him—"It's time, I think it's past time, to put the interests of the country first."

Over the next 5 years, this legislation did reduce the deficit by a total of $480 billion. That was one of the factors that got us to that period of balanced budget and surplus.

The second factor was in 1993, when the Congress and President Clinton agreed, again, to legislation that increased revenue and controlled spending. This legislation once again raised taxes on the wealthiest Americans. Over the 5 years following, the legislation reduced the deficit by $430 billion and revenue increases were responsible for over half that deficit reduction that occurred in that period.

Of course, the third factor, which is the most important, is that the country enjoyed very strong economic growth during the 1990s, particularly the latter part of the 1990s. That allowed revenues to rise above the historical average we see down here, this 18 percent historical average for revenues. We were able to get that up significantly, both because of the changes in law that occurred under President George H.W. Bush and under President Clinton and the very good economic circumstances we enjoyed in the 1990s.

What caused the situation to reverse? Was it an increase in spending or was it a decrease in revenue? I think this chart makes the point very clearly that initially what caused the situation to reverse was the Bush tax cuts of 2001. They reduced revenue by $70 billion in that exact same year, 2001. In total, the tax cuts President George W. Bush signed into law reduced revenue by an estimated $1.6 trillion over a 10-year period. The actual costs may have been significantly greater.

Simply put, the Congress and the President, when we enacted those Bush tax cuts, so-called Bush tax cuts, cut taxes more than we could afford to unless we were willing to also dramatically cut spending, and we did not cut spending. In fact, we increased spending. We increased it fairly dramatically to fund the Afghanistan war, to fund the Iraq war, to fund Medicare Part D. None of that new spending was paid for.

Former Congressional Budget Office and Office of Management and Budget Director Peter Orszag estimates that because they were not paid for, the Bush tax cuts, if extended again, and Medicare Part D, those together would add $5 trillion to the debt over the next decade.

So the votes we are casting on this tax issue are significant votes that will reverberate for some time and affect our economy and the deficit and the debt. People need to understand that.

Of course, in the last 3 years since we have been in this recession, the deficit has worsened very substantially. Revenue dropped to historic lows as the economy contracted. Spending also increased due to the Recovery Act and also due to the automatic stabilizers we have built into the law, such as unemployment compensation.

It is important to note that only about 10 percent of the debt we incur over the next 10 years—the debt over the next 10 years—is due to the Recovery Act.

With the economic recovery underway, the size of the deficit is beginning to stabilize. You can see that at the far right end as part of this chart. You can see these numbers, you can see the outlay number beginning to come down, you can see the revenue number at least leveling off, and that is positive. But the obvious point I think we need to understand is, we cannot solve the deficit problem by simply reverting to the situation before the economic crisis. The chart shows that, on average, outlays have exceeded revenues by about 3 percent of gross domestic product. That is about $450 billion under the current size of our gross domestic product. In other words, if Congress can only accomplish an average performance, we are looking at a $½ trillion deficit going forward even after we are fully out of this recession.

Clearly, we need to do better than that. Congress needs to make some tough choices, both to control spending and to increase revenues, just as we did in the 1990s. Both the President's Deficit Reduction Commission, which I know is having its final vote today, and the bipartisan commission led by my former colleague, Senator Pete Domenici, and Alice Rivlin, former Budget Director—both of those Commissions recognize we will need revenue increases as well as spending cuts to solve the deficit problem.

The proposal that Senator BAUCUS has come forward with is to allow everyone in the country to enjoy the lower tax rates that were adopted under President Bush but only to enjoy those lower rates for the first $250,000 of income each year. I know Senator SCHUMER has a proposal which says we will allow the lower rates on taxation of earned income to apply to the first $1 million of income of all Americans. All Americans will get the tax cut, as they will under the proposal by Senator BAUCUS, but Senator SCHUMER's proposal would be to give them the lower rates on the entire $1 million that they earn in the first year. Above that they would have to pay the rates that were in place under President Clinton's time in office, in the 1990s, when the economy was so strong.

The question is, Can we in this Congress do what needs to be done to deal with the deficit issue and particularly on this tax bill to do what needs to be done to raise revenue? Tomorrow we will be voting on whether to let the Bush tax cuts expire for income above $250,000. One of these votes will be to effectively raise taxes on annual income above $1 million, as I said. Compared to other choices we have, it seems to me this is a fairly easy choice. If we are not willing to revert to the Clinton-era tax rates on any income, no matter at what level, then it is going to be very difficult for us to make a credible claim that we are serious about the deficit.

I urge my colleagues to support the Baucus proposal, and I hope we can get a good, strong bipartisan vote on that. It is clear to me Americans do want to see the taxes they are paying on the first $250,000 of their income remain where they are today. That will only happen if we are able to pass this proposal Senator BAUCUS has put forward.

I yield the floor and suggest the absence of a quorum.